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SUBJECT: SCENESETTER FOR VISIT OF GEN JAMES L. JONES, SACEUR

REF: CDR USEUCOM ALT SHAPE BE 131000Z JAN 04

1. (SBU) While you will be wearing your NATO hat during your 11-12 February visit to Slovenia, you may wish to emphasize the following shared U.S. and NATO priorities during your discussions with Slovenian officials:

-- Slovenia's bilateral and NATO commitment to bring defense spending to 2% of GDP by 2008;

-- increased Slovenian contributions to Operation Enduring Freedom and Operation Iraqi Freedom;

-- Slovenian efforts to share the country's successful transition experience with others in the region;

-- staying the course on military reform and professionalization.

Political Environment

2. (SBU) Your visit will include a meeting with President Janez Drnovsek, among Slovenia's most powerful politicians for the last fifteen years. Drnovsek hand picked Anton "Tone" Rop to succeed him as Prime Minister when Drnovsek won the Presidency in December 2002. Since becoming Prime Minister, Rop's relationship with Drnovsek has deteriorated some as Rop increasingly governed according to his (vice Drnovsek's) desires. With the lessening of Drnovsek's direct support, Rop faced challenges from contemporaries within their party (LDS), from contenders in other governing coalition parties (including ZLSD's Borut Pahor), and from the opposition. This, combined with his inexperience in foreign affairs, restricted his ability to be helpful on domestically unpopular issues such as Iraq and the ICC. Although Rop has successfully consolidated his control of the LDS, it is not clear whether he or the governing coalition will survive the Fall 2004 parliamentary elections. However, it is unlikely that Slovenia's foreign policy will change dramatically no matter who wins.

Defense Spending

3. (SBU) PM Rop has committed to honor Drnovsek's May 2002 pledge to President Bush to increase Slovenian defense spending to 2% of GDP by 2008. This pledge also was made directly to NATO in Slovenia's Timetable for Completion of Reforms. However, an EU-mandated change to GDP calculation methodology caused Slovenia to miss its 2003 interim defense spending target. The 2003 shortfall can be excused as an unexpected accounting change. However, a GoS failure to adjust defense spending levels to the new GDP methodology in the 2004 and draft 2005 budgets has Slovenia likely to miss its 2004 and 2005 targets as well. We are concerned that continued shortfalls will make it extremely difficult for Slovenia to honor its promise to NATO and to President Bush. We are also concerned that the combination of professionalization costs and lower spending levels could affect Slovenia's ability to meet its force goals.

OIF/OEF

4. (SBU) Slovenia was voiciferously not a part of the Iraq Coalition due to profound public opposition to the war, but granted humanitarian overflights and sent a liaison officer to CENTCOM. Once fighting subsided, the GoS offered humanitarian assistance to children through UNICEF and the Human Security Network, and demining assistance through its International Trust Fund. Under the political cover provided by UNSCR 1483, the GoS approved broad overflights/transit on 11 June. At the Madrid conference, Slovenia donated an additional US\$440,000 in police training and other reconstruction assistance. Many Slovenian companies who worked in Iraq in the Yugoslav era hope to recoup old debts and to win reconstruction contracts. Following passage of

UNSCR 1511, we have been encouraging the GoS to offer additional support for security and stability in Iraq.

15. (SBU) The GoS originally committed to deploy a 17-person special forces unit to ISAF IV in Afghanistan. Unfortunately, this was delayed because a civil service employees union's legal challenge to standard security questionnaires caused the Constitutional Court to freeze all NATO security clearance processing. The GoS proactively resolved this problem by amending the law on classified information to address the union's court complaint and the unit had been scheduled to begin deployment on 09 February. However, the GoS is now delaying deployment until March, in response to an explicit request from Kabul. We continue to encourage the Government to consider additional OEF contributions.

Regional Stability

16. (SBU) For most of the past decade, NATO and EU membership have been Slovenia's priority foreign policy goals. Once membership in both organizations was assured, the political elites searched for their new purpose. There appears to be a growing consensus that the new priority is to help guide the rest of Southeast Europe along that same path, as quickly as possible. This reflects both political and economic national interest -- Southeast Europe is Slovenia's second-most-important market, supplementing EU-generated income and balancing Slovenia's dependence on the health of the western European economy. Slovenia therefore has the potential to be one of our most capable, motivated, and reliable allies in bringing peace, stability, and prosperity to the troubled Balkans region.

17. (SBU) The GoS strongly supports eventual NATO and EU membership for Croatia and the other former Yugoslav republics and seeks to be NATO and the EU's in-house Balkans expert. Slovenia is the region's largest foreign investor, and plays a leading role in Balkan demining efforts, humanitarian assistance, and peacekeeping operations. Slovenia also promotes regional law enforcement cooperation on combating cross-border criminal activities and provides a wealth of technical assistance on economic, political, and judicial reforms.

18. (SBU) Slovenia joined the OSCE Troika on 01 January and will be Chairman in Office for 2005. In this role, the GoS plans to focus on promoting political and economic reforms in Southeast Europe, the Causasus, and Central Asia, building on Slovenia's own successful transition experience.

Military Reform/Professionalization

19. (SBU) Slovenia will bring valued assets to the Alliance, by exporting peace and stability in this troubled region, by achieving its force proposals/goals, and by further developing its declared niche capabilities (mountain training, explosive ordinance disposal, military police and peacekeeping units, and military field medicine). Under Defense Minister Grizold's capable leadership, Slovenian military reforms are proceeding well, but full implementation will require continued and determined effort and increasing defense resources. Key MAP goals are: operationalizing the 10th Motorized Battallion, developing an NBC battalion, logistics support for deployable forces, NCO corps development, and personnel management reform. The GoS will fully professionalize its active duty military by the end of 2004 and the reserves by 2010.

10. (SBU) In a 23 March 2003 referendum, 66% of the Slovenian electorate voted to join NATO after an intense GoS public information campaign. However, it is not clear whether the Government has a long term strategy to maintain this level of public support. Professionalization of the military and the recent end to conscription have enjoyed wide popularity.

Other Issues

11. (SBU) Croatia: Slovenia's relations with Croatia resemble those of siblings -- basically good, with many minor irritants. Last August, Croatia unilaterally declared its intention to establish an Exclusive Economic Zone (EEZ) off its Adriatic Coast, which would directly affect Slovenian fishing and shipping. The surprise decision resulted in a flurry of stiffly worded diplomatic notes, the Slovenian Ambassador to Croatia returning briefly to Ljubljana for "consultations," and the reappearance of resentments over

Croatia's failure to sign and ratify the bilateral maritime border demarcation agreement. Slovenia has been pursuing resolution of the matter calmly, via EU and bilateral diplomatic channels. Both the GoS and the GoC appear interested in taking the opportunity provided by the Croatian change in leadership to approach these issues from a fresh perspective. We are studiously avoiding being drawn into the discussions or commenting publicly on the issue.

112. (SBU) ICC/Article 98 Agreements: A founding ICC member, Slovenia believes strongly in the Court and would like to bring the U.S. onboard. The GoS understands the practical need to resolve the Art. 98 issue, but is unlikely to sign an agreement unless a prominent EU member does so first. With the majority of the electorate forcefully opposed to Art. 98 Agreements, ratification would be extremely difficult, particularly as the 2004 elections draw closer. The recent Presidential ASPA waiver decision received moderate but positive press coverage.

113. (SBU) Terrorism: One of the first countries to join the Global Coalition against Terrorism, Slovenia has supported it through humanitarian, demining, military, and police training assistance to Afghanistan. Slovenia has ratified 11 of 12 anti-terrorism conventions, with ratification of the last awaiting passage of technical amendments to the Criminal Code which are currently before parliament. Slovenia has an excellent international reputation in combating terrorist financing and money laundering, is highly supportive of U.S. efforts in this regard, and is actively mentoring Ukraine, Russia, and the former Yugoslav republics.

114. (SBU) EU: For the average Slovene, national economic interests take priority over all other policy issues, and those interests lie in Europe. Slovenia's top four trading partners are Germany, Italy, Croatia, and France. Total trade with the EU is estimated at nearly US\$6.1 billion, or 59% of all exports. (Only 3% of exports go to the U.S.) EU membership was supported by 91% of the electorate in the 23 March referendum and enjoys the backing of virtually every political party. Janez Potocnik, the Minister for European Affairs, the lead EU negotiator, and the nominee to be Slovenia's first Commissioner, is one of the most popular and widely-trusted politicians in the country. Prior to the Copenhagen Summit, Slovenia sensibly toed the EU policy line on almost all issues of importance, voicing dissent only in cases where there were clear differences of opinion within the EU and where there was safety in numbers (Bilateral Investment Treaties, for example). Fiercely independent by nature, we expect the Slovenes to gradually become less reluctant to push opposing points of view as their participation in EU decision-making processes expands. While generally supportive of ESDP, Slovenia opposes any duplication of NATO structures.

115. (SBU) Export Controls: The GoS continues to address dual use export control licensing weaknesses and is conducting industry outreach and training, with USG support. However, it is not clear whether the new interministerial body tasked with overseeing dual use export policy is achieving all the practical results its well-intentioned chair, SOVA Director Iztok Podbregar, would like to see.

116. (SBU) Privatization/FDI: The GoS has been reluctant to privatize a number of key industries including telecommunications, insurance, and banking. The state exerts significant influence over these sectors either as a direct owner or as a majority shareholder through a combination of state-owned funds. Although its figures improved substantially last year as a result of Swiss-owned Novartis' acquisition of Lek Pharmaceuticals for nearly US\$900 million,

Slovenia's cumulative FDI, at nearly US\$3.2 billion, is one of the lowest of all acceding countries.

117. (SBU) Transparency/red tape: Transparency International ranked Slovenia 29th in its 2003 corruption perception index. Generally, the executive, legislative, and judicial branches follow budget law procedures and the system is fairly efficient and transparent. However, there is a lack of consistency in public tenders and in the privatization process. In some cases tenders have been cancelled or privatization commissions have rejected all bids without providing clear explanations. Byzantine permitting processes complicate business start-up/expansion and offer multiple opportunities for interference by state monopolies and other competitors. Overall, Slovenia enjoys a high level of fiscal transparency and accountability.

118. (SBU) Trafficking in Persons: A Tier II country, Slovenia needs to pass a law specifically criminalizing trafficking, establish victim/witness protection, improve victims' assistance (including setting up sufficient shelters), and collect better statistics on the problem.

General Background

19. (SBU) Slovenia has a well-functioning multi-party democracy, an independent judiciary, a free press, an excellent human rights record and solid civilian control of the military. The country has an impressive record of sustained, broad-based economic growth and its citizens enjoy a relatively high standard of living (per capita GDP is around US\$10,000). We share strong, cooperative relations on a broad range of issues and have worked together closely to promote stability and political and economic reform in the Balkans. However, there has been overwhelming public opposition to U.S. policy on Iraq and the ICC. Slovenia has contributed personnel to IFOR, SFOR, KFOR and various UN missions in the Balkans and elsewhere, and provided crucial overflight clearances for NATO's Kosovo campaign. As a UN Security Council member in 1998-9, Slovenia supported U.S. positions on tough issues, such as Iraq sanctions.

20. (SBU) President Bush met with then-PM Drnovsek in Washington on May 17, 2002 and in Ljubljana during his June 2001 summit with Russian President Putin. President Clinton visited Ljubljana in June 1999. National Assembly President Borut Pahor's 09-11 June trip to Washington was the first time he had traveled outside of Europe. SecDef Rumsfeld visited Slovenia immediately after the November 2002 Prague NATO Summit; in early December, Congressman Bereuter came here in his capacity as Chair of the NATO Parliamentary Assembly; and, two bilateral Congressional delegations (Holt and Hastert) have traveled to Ljubljana in the past year. PM Rop wishes to visit Washington as soon as possible.

21. (SBU) On December 23, 1990 an overwhelming majority of the Slovenian electorate voted in a plebiscite to separate from greater Yugoslavia; independence was officially declared on June 25, 1991. The U.S. formally recognized Slovenia as an independent state on April 7, 1992 and opened an embassy in Ljubljana in August of that year. Slovenia became a member of the UN in May 1992 and of the Council of Europe in May 1993. Slovenia is scheduled to join the EU and NATO in May and June 2004, respectively, and will assume the OSCE Chairmanship in Office in 2005. Slovenia is a member of all major financial institutions, as well as 40 other international organizations including the World Trade Organization.

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